

VZCZCXRO4656  
RR RUEHLH RUEHPW  
DE RUEHIL #3821/01 3470933  
ZNY CCCCC ZZH  
R 120933Z DEC 08  
FM AMEMBASSY ISLAMABAD  
TO RUEHC/SECSTATE WASHDC 0642  
INFO RUEHKP/AMCONSUL KARACHI 0773  
RHEHNSC/NSC WASHINGTON DC  
RUEKJCS/SECDEF WASHINGTON DC  
RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC  
RHEBAAA/DEPT OF ENERGY WASHINGTON DC  
RHMFISS/CDR USCENCOM MACDILL AFB FL  
RUEAIIA/CIA WASHDC  
RUEHDO/AMEMBASSY DOHA 1609  
RUEHNE/AMEMBASSY NEW DELHI 4190  
RUEHBUL/AMEMBASSY KABUL 9565  
RUEHLH/AMCONSUL LAHORE 6504  
RUEHPW/AMCONSUL PESHAWAR 5363

C O N F I D E N T I A L SECTION 01 OF 02 ISLAMABAD 003821

SIPDIS

E.O. 12958: DECL: 12/11/2018

TAGS: [ECON](#) [EFIN](#) [EINV](#) [PGOV](#) [PREL](#) [PK](#)

SUBJECT: DEPUTY SECRETARY NEGROPONTE'S MEETING WITH FINANCE  
ADVISOR TAREEN

Classified by: Anne W. Patterson for reasons 1.4 (b),(d)

Summary

11. (C) Summary: On December 11, Deputy Secretary Negroponte met with the Prime Minister's Advisor on Finance Shaukat Tareen. They discussed the present state of Pakistan's economy, the International Monetary Fund's (IMF) stand-by agreement, Reconstruction Opportunity Zones (ROZs) and the Bilateral Investment Treaty (BIT). When asked if the BIT could still be completed during the current U.S. administration, Tareen replied "absolutely." End summary.

12. (C) On December 11, Deputy Secretary Negroponte met with the Prime Minister's Advisor on Finance Shaukat Tareen. Also present in the meeting were Secretary for Economic Affairs Divison Farrukh Qayyum, Principal Deputy Assistant Secretary for South and Central Asia Donald Camp, Ambassador and EconCouns.

Economic Outlook

13. (C) The Deputy Secretary asked Tareen how Pakistan's rupee was holding up in the current economic situation. Tareen said that the rupee was at 78.5 to the dollar, but that he felt it was overvalued and should actually be upwards of 80 rupees to the dollar. The overvaluation was due to oil payments from the central bank, but Tareen thought that this would be resolved. Tareen went on to say that inflation was coming down and that the sensitive price index had declined. The trade deficit was USD 2 billion per month, but was now USD 1.2 billion, and was expected to go to PKR 1 billion next month.

IMF Negotiations

14. (C) The Deputy Secretary asked if the GOP was pleased with the IMF talks, which, he pointed out, were good for Pakistan's international reputation. Tareen said that he had called President Zardari and convinced him to accept the IMF agreement due to worries over what would happen to the foreign exchange reserves by January. Tareen continued that the IMF had taken the GOP's "homegrown" initiatives into account, saying that Pakistan has already initiated some tough measures and that it was good for Pakistan to

exhibit discipline.

15. (C) Tareen suggested that the IMF could have been more generous to Pakistan. They only agreed to five times the quota, which provided insufficient funds to build up the reserves, forcing the GOP to go to donors. The Deputy Secretary assured Tareen that the USG is working on the Donor's Conference, and determining the support other countries might provide. He said that December was too soon, but that a conference might be possible in early January. Tareen relayed that both Treasury Secretary Kimmitt and the Saudi Finance Minister had called and indicated that mid-January would be a good time frame. Tareen also indicated that Saudi Arabia and UAE might be willing to securitize remittances, giving Pakistan 25 percent for 5-7 years. In this way, providing funds might become more palatable for those countries. Tareen added that many other countries had their own problems right now, presenting obstacles to giving funds. Tareen thanked the Deputy Secretary for the U.S.'s support.

#### Reconstruction Opportunity Zones

- - - - -

16. (C) Tareen expressed his support for Reconstruction Opportunity Zones (ROZs) pending in the U.S. Congress. The Deputy Secretary pointed out that now that Senator Biden was the Vice President elect, he would be a good advocate for the bill and for Pakistan. The hope now was for Congress to take action. Tareen and the Deputy Secretary also briefly discussed the ongoing USAID projects in the

ISLAMABAD 00003821 002 OF 002

Federally Administered Tribal Areas and what Tareen termed "the slow disbursement" of the USD 750 million commitment. Secretary Qayyum pointed out the need for visible projects, which would also help the U.S. image. The Ambassador said that some road building projects had received funding, but that progress on the project had been delayed due to security concerns.

#### Bilateral Investment Treaty

- - - - -

17. (C) The Deputy Secretary asked about progress on the Bilateral Investment Treaty (BIT) agreement, saying that he thought it was in Pakistan's interest to complete the agreement. When the Deputy Secretary asked specifically whether the BIT could be completed before the end of the current administration, Tareen replied "absolutely, why not?" Qayyum added that the Law Ministry had some reservations on provisions regarding the private dispute resolution language and possible GOP liability if private sector entities do not pay the debts. Tareen said "Let's push, we have a month to finish."

18. (U) The Deputy Secretary's party cleared this cable.

PATTERSON